

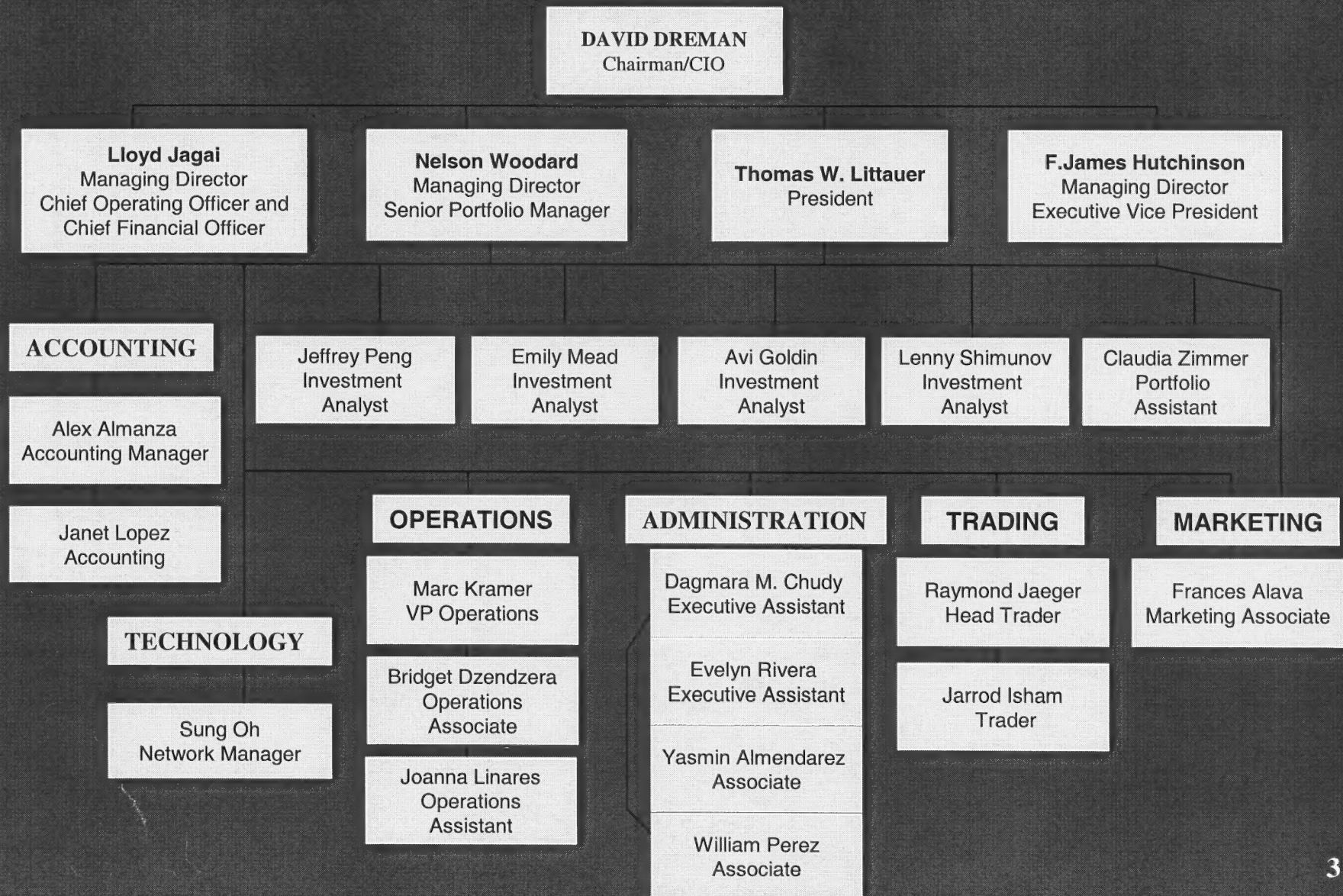
Dreman Value Management, L.L.C.

Contrarian Value Investing
September 30, 2003

Overview of Company

- **Established in 1977 by David Dreman**
- **Pioneers in large and small capitalization contrarian value equity investing**
- **\$7.5 billion in assets under management**
- **Senior investment staff averages over 20 years of experience**

Organizational Structure



Investment Philosophy

Our research studies, numerous academic papers, and our long-term performance record show that out-of-favor stocks (those with low P/E ratios) consistently and predictably outperform the market.

We are value investors committed to providing clients with superior investment performance through our unique contrarian investment philosophy:

- Low P/E approach to finding value
- Opportunistic in exploiting market overreactions
- Disciplined Style Consistency

Investment Process Summary

Step 1: Screen for stocks with below market P/E ratios

Step 2: Apply value screens

Step 3: Fundamental analysis

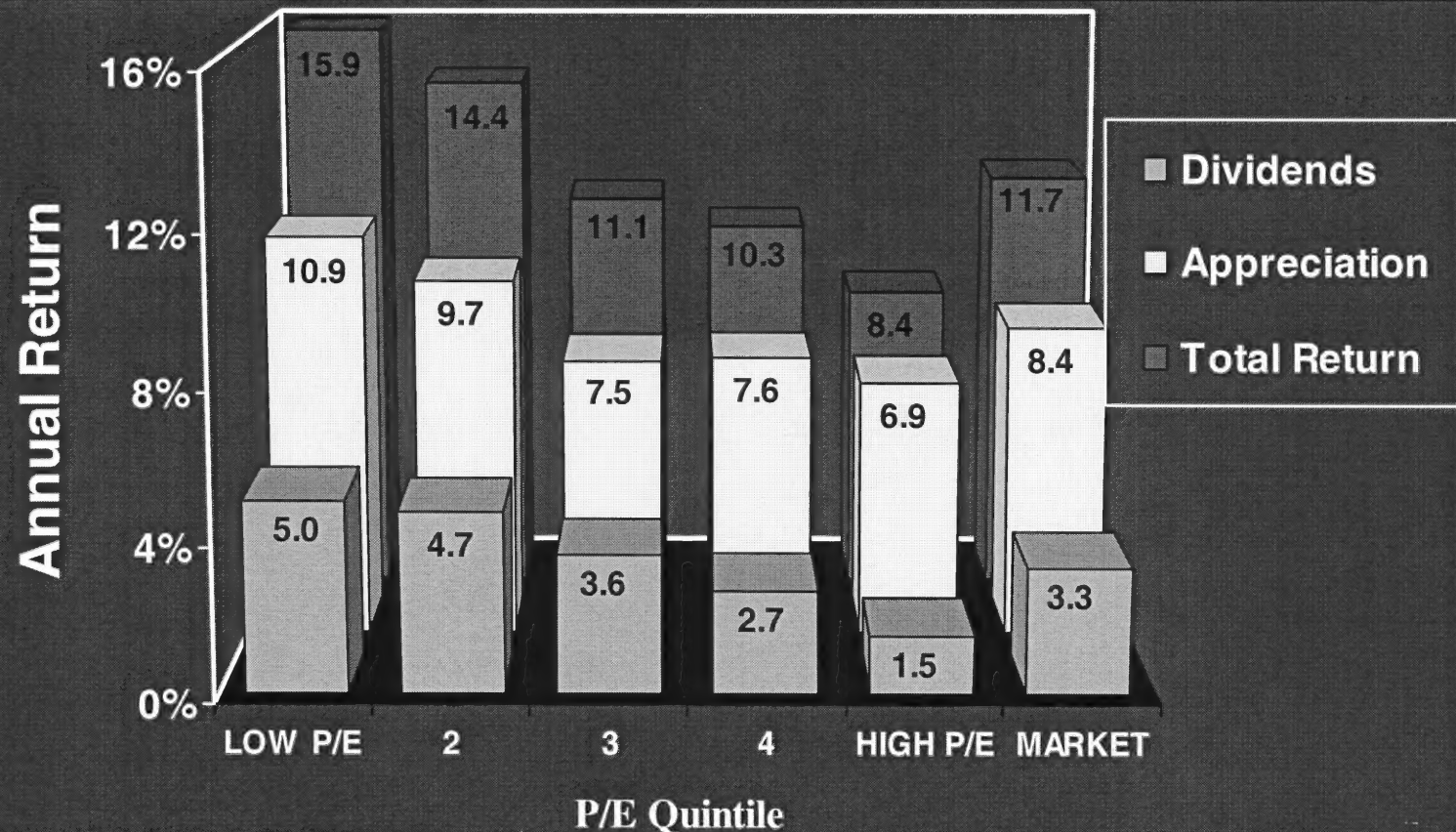
Step 4: Portfolio construction and management

Step 5: The sell decision

Step 1: Screen for Below Market P/E

Annualized Returns By P/E Quintile

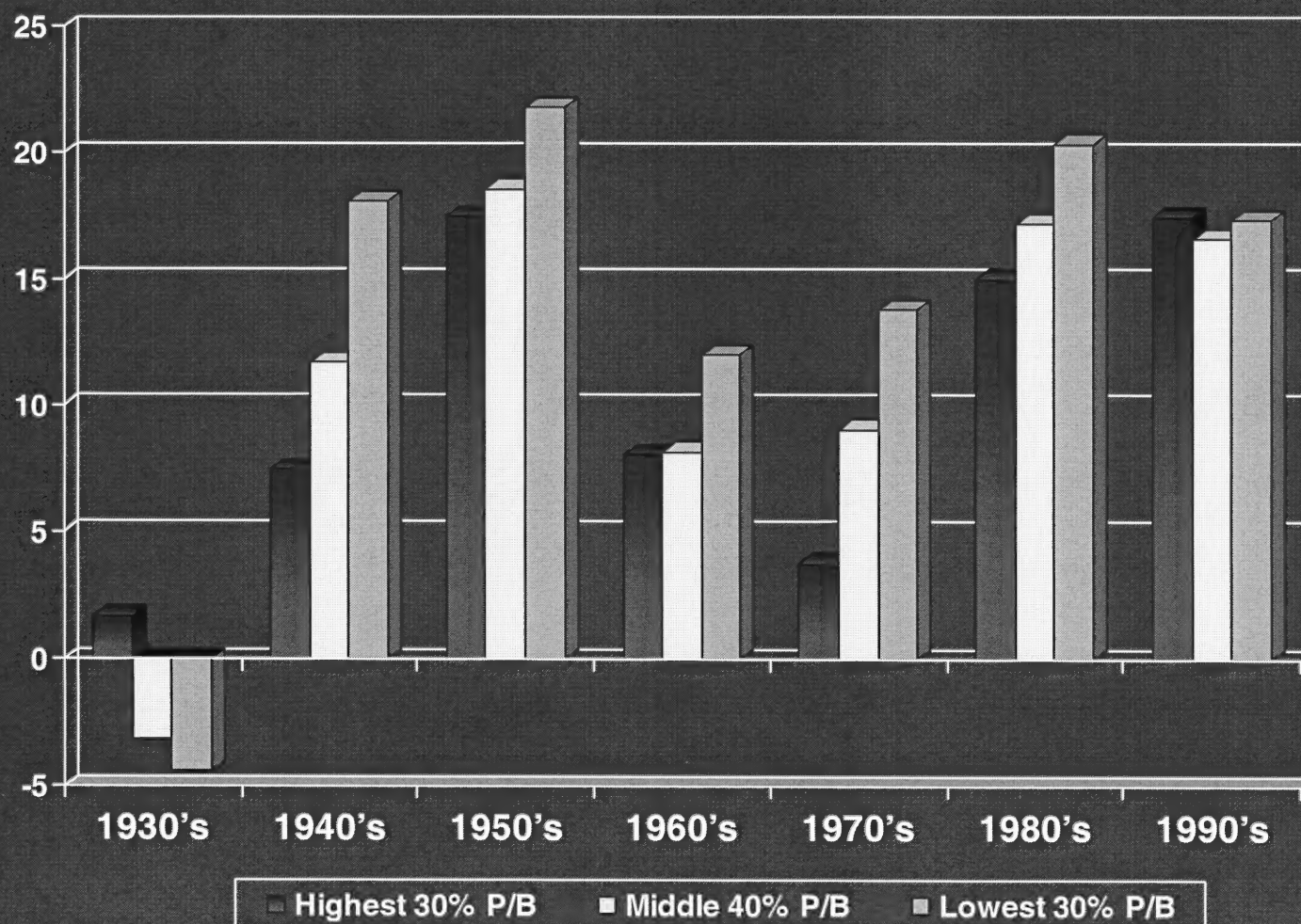
Stock Universe: Compustat Largest 1500 Companies 1970-2002



Over the 33 years of the study, the lowest P/E group averaged a return of 15.9% annually, compared to 11.7% for the market and 8.4% for the highest P/E group. Appreciation comprised 10.9% of the Low P/E group's total return whereas the High P/E group's appreciation was only 6.9% over the same period and 8.4% for the market. The chart also shows that the cheapest stocks provide higher dividend yields: 5.0% per year for the low P/E stocks compared to 3.3% for the market, and only 1.5% for the highest P/E group.

The Out Performance of Value Is Consistent Through Time!!

The data is from Kenneth French's Web site

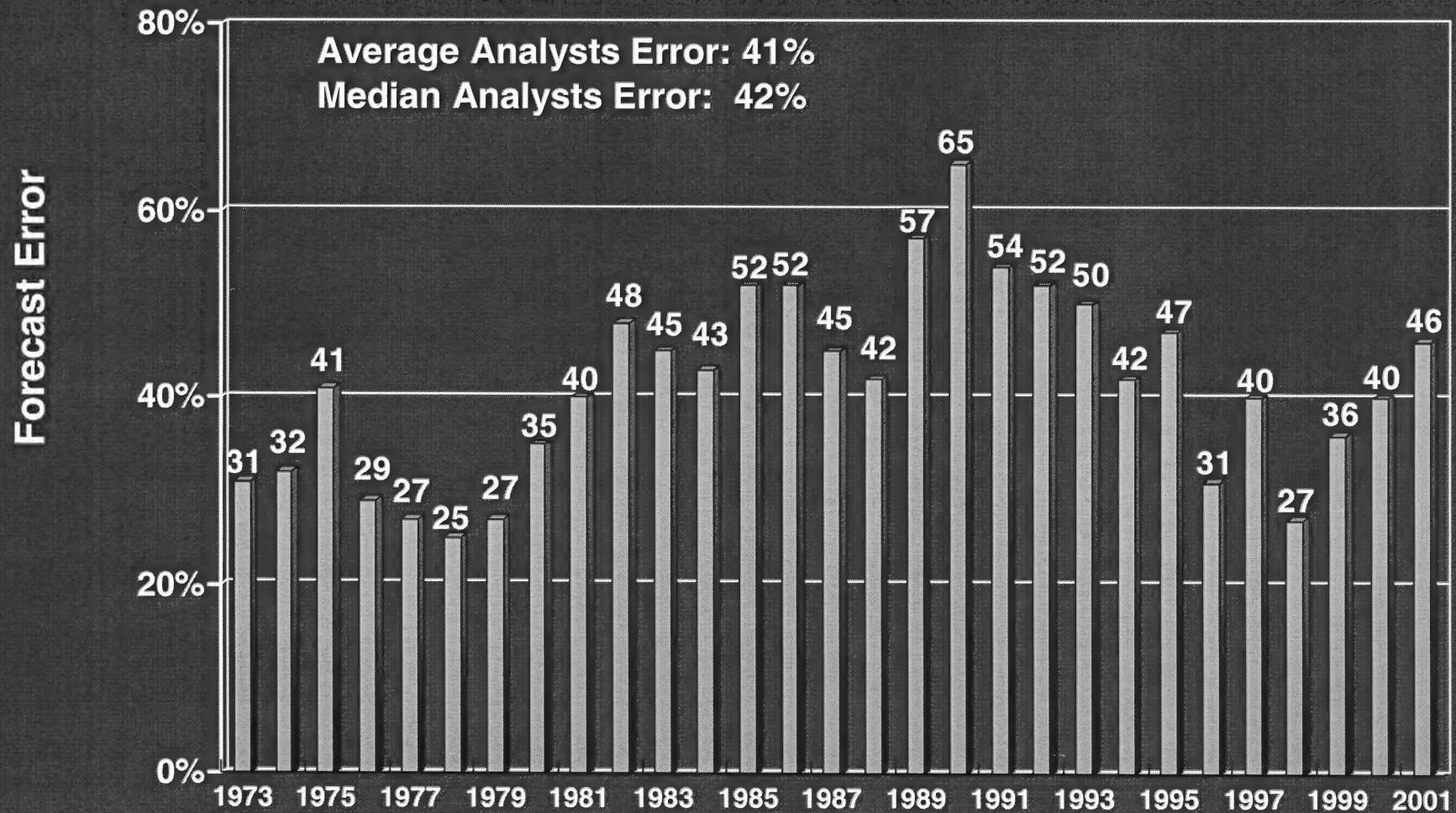


Why Low P/E Works: Exploiting Investor Overreaction The Impact of Analyst Forecast Errors:

- Sell-side analysts have received a great deal of attention lately. Unfortunately, most of it has been bad. The focus is on their inability to accurately predict earnings.
- Investors have relied on a false sense of precision in analysts forecasting ability. Forecasting earnings accurately is an extremely difficult task.
- We have been researching the impact of analysts forecast errors for more than 15 years. Our low P/E, contrarian investment approach exploits the fact that out of favor stocks have little downside risk to bad news, but react significantly to positive surprises.

Forecast Error as a Percent of Reported Earnings

1973 - 2001



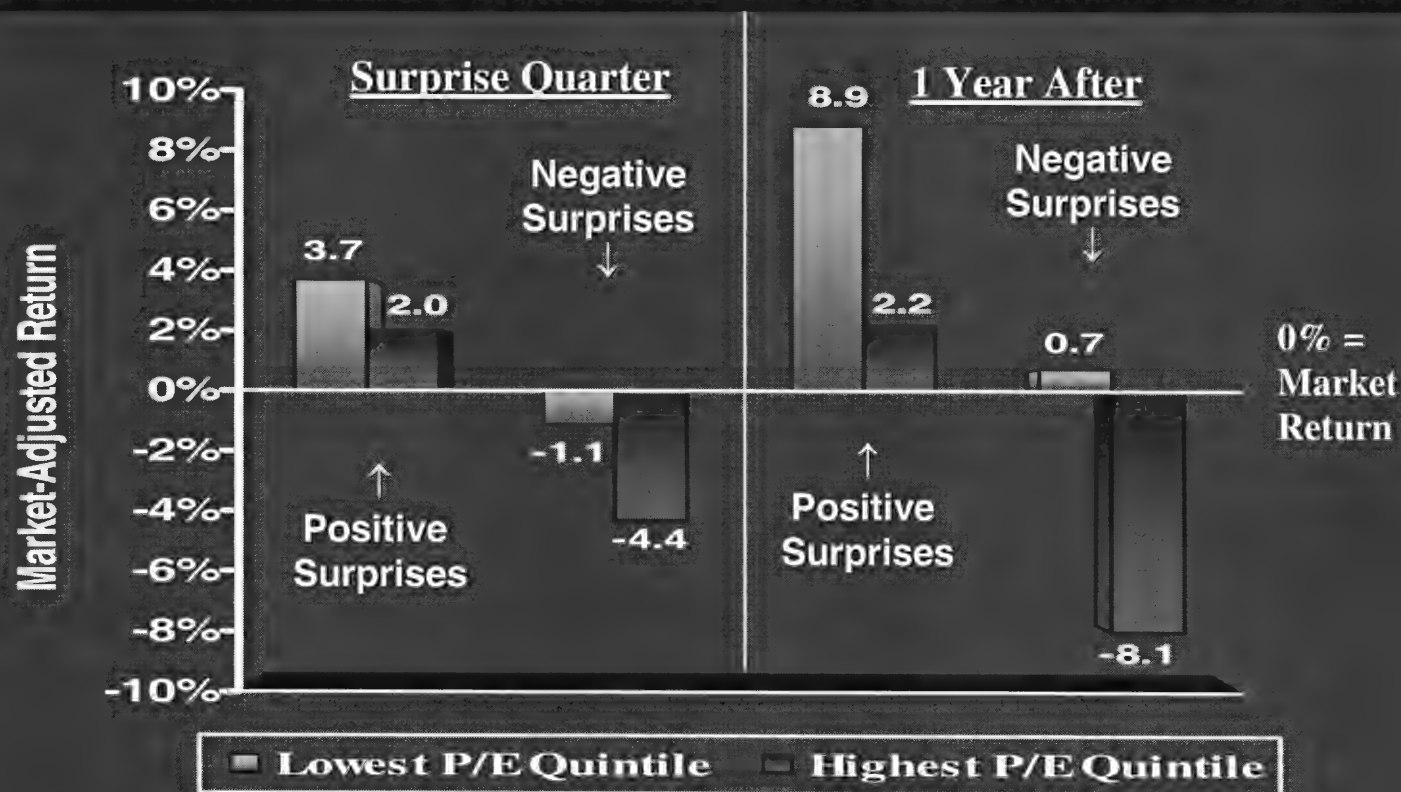
The Probability Game

The Chances of a Stock Surviving Without a 5% Earnings Surprise

	Any Surprise	Negative Surprise	Positive Surprise
1 Quarter	30%	65%	66%
4 Quarters	1/125	1/6	1/5
10 Quarters	1/170,000	1/80	1/65
20 Quarters	1/30 Billion	1/6,000	1/4,200

Impact of All Positive and Negative Surprises

Stock Universe: Compustat Largest 1500 Companies 1973 – 1 Qtr. 2001

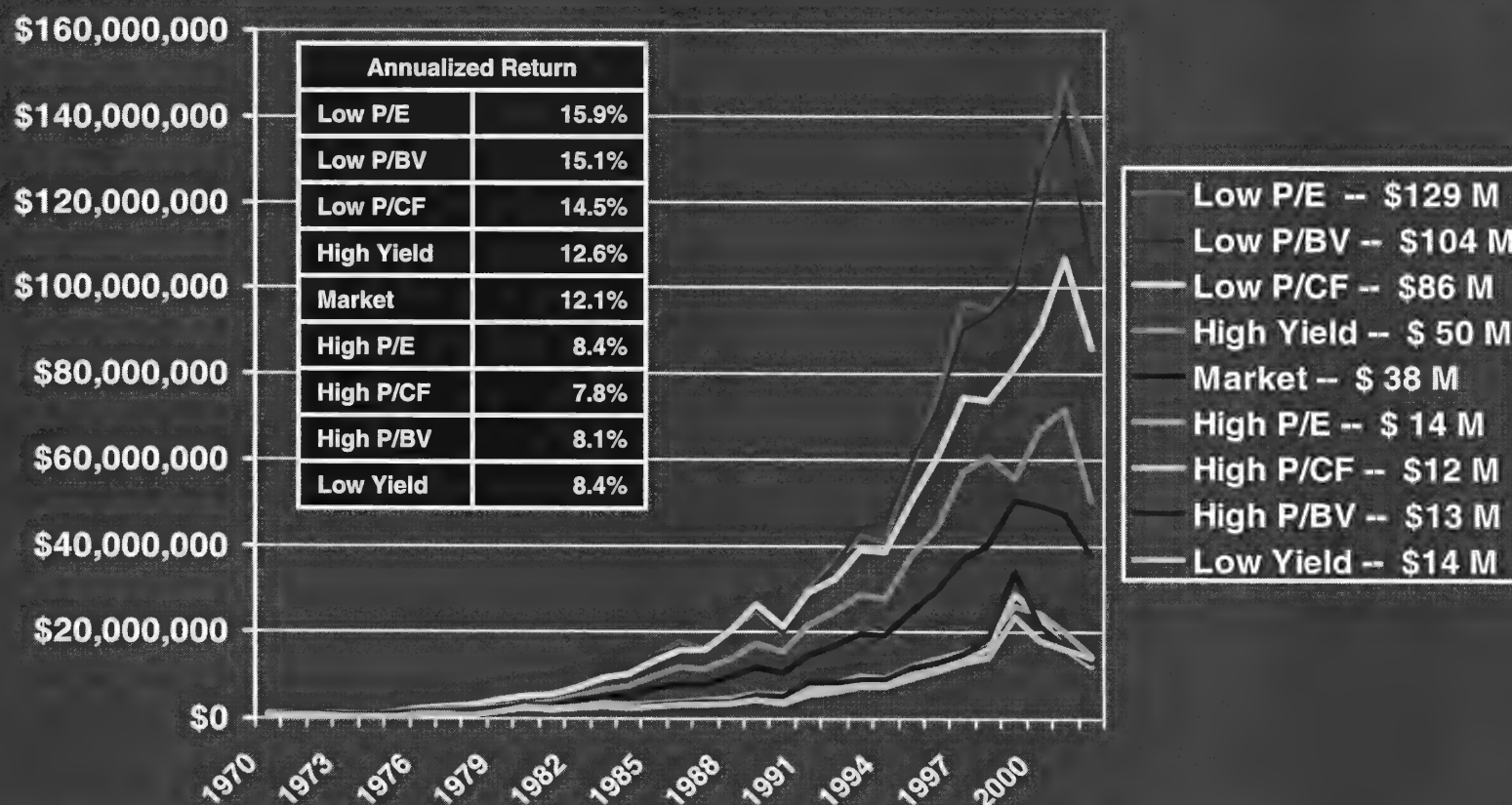


Dreman Value Management takes advantage of the high rate of analyst forecast error by positioning in out-of-favor, low P/E stocks. This is because positive and negative surprises affect “best” (high P/E) and “worst” (low P/E) stocks in a diametrically opposite manner. Following a surprise quarter, low P/E stocks with positive surprises outperform the market by 8.9% in the following year. But positive surprises have a far less significant effect on favorite stocks — returning 2.2% in the following year. Conversely, negative surprises are devastating to high P/E stocks (8.1% below market after one year), but go essentially unnoticed by low P/E stocks. The net result is that out-of-favor, low P/E stocks outperform higher P/E stocks over time.

Step 2: Apply Value Screens

Cumulative Returns for Value and Growth Strategies

Stock Universe: Compustat Largest 1500 Companies 1970-2002

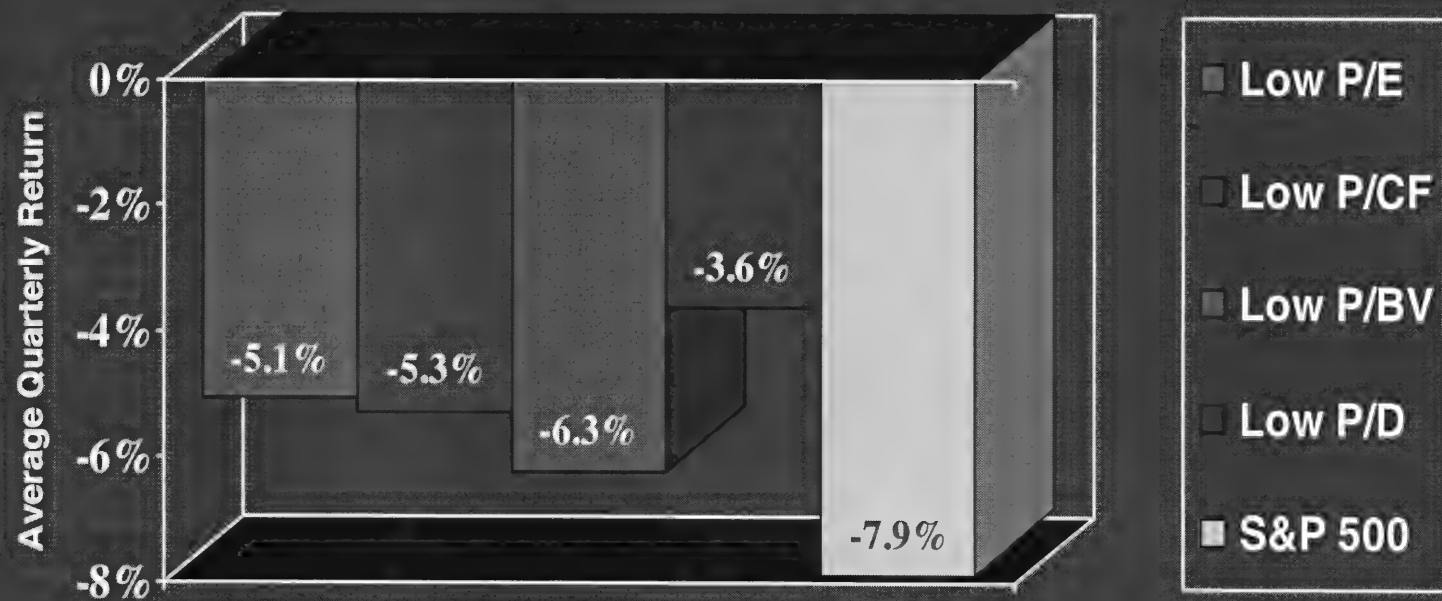


In addition to low P/E, strategies that employ low price-to-cash flow (P/CF), low price-to-book value (P/BV), or high yield (low price-to-dividend, or P/D) also outperform the market. This chart shows the results of investing \$1,000,000 at the beginning of 1970 and rebalancing annually for the following 33 years, reinvesting dividends. The initial investment would have grown to well over \$100 million in low P/E stocks, and even to \$50 million in stocks with the highest dividend yield, compared to only \$38.0 million for the market. These auxiliary contrarian measures figure prominently in DVM's investment decision process.

Contrarian Performance in Market Downturns

Returns in 46 Down-Market Quarters

Stock Universe: Compustat Largest 1500 Companies: 1970-2002



In addition to high returns overall, investors want to preserve their capital during down markets. As the chart shows, the value strategies did better than the averages in down market quarters, through the same period (1970-2002). While the market dropped 7.9% in the average down quarter, low P/E, P/CF and P/BV all fell less, under 6.3%. The best performers, as one might expect, were the high-yield stocks, declining only 3.6%. This is another prime reason why DVM invests in contrarian, value stocks.

Step 3: Bottoms-Up Fundamental Analysis of Potential Portfolio Additions

- **Bottom up analysis of individual stocks**
- **Focus on financial strength and value metrics**
- **Identify companies with proven track record of earnings growth that we believe are sustainable**
- **Apply disciplined decision making, gained through years of successful investment experience, to ferret out true investment “bargains”**

Step 4: Portfolio Construction and Management

In our Large Cap Value strategy:

- **We look to diversify across 15-20 industry groups**
- **Portfolio Characteristics will include:**
 - **Below market P/E ratio**
 - **Above market dividend yield**
 - **Earnings growth greater than the market**
- **Risk controls to manage downside risk**

Step 5: Sell Discipline

Stocks are sold when:

- P/E ratio rises above that of the market – prevents over staying**
- Fundamentals unexpectedly change**
- Research is correct – a company prospers and provides earnings improvements as we forecasted – yet the price languishes. Normally, these stocks are sold after 24 to 36 months to prevent hanging on to a value trap**

Behavioral Aspects of Market Pricing

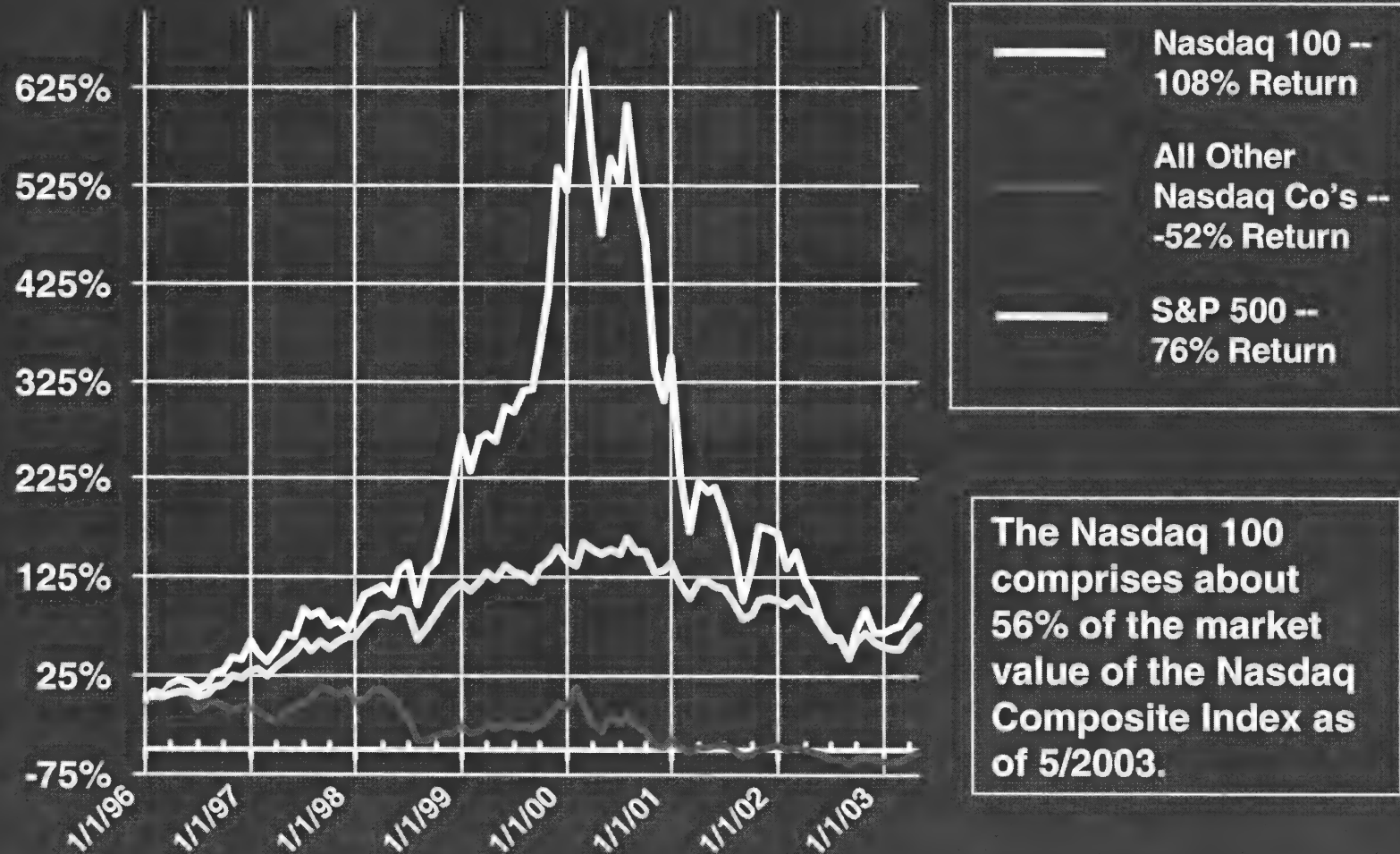
The Technology Bubble of 1999 – 2000

Fundamentals or Overreaction?

The Aftermath of the Bubble:

Performance Of the Nasdaq 100 vs. All Others In The Nasdaq Composite and the S&P 500

1/1/96 - 5/31/03



Source: DVM

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Should History Repeat?

Value Vs. Growth: 1971-1984

<u>Total Returns</u>	<u>1971-72</u> (2-Yr Rtn)	<u>1973</u>	<u>1974</u>	<u>1975-84</u> (10-Yr Rtn)
Value	26.6%	-20.3%	-11.3%	545.5%
Growth	61.2	-17.7	-37.0	43.6
S&P 500	35.9	-14.7	-26.3	191.7
Value Minus Growth	-34.6	-2.6	25.7	501.9

Value beats Growth by 501.9%

- (1) Data: Largest 500 Companies on Compustat at start of each year.
 (2) Value = 20% of stocks with lowest P/E (lowest P/E quintile);
 Growth = 20% of stocks with highest P/E (highest P/E quintile).
 (3) Total compounded return (not annualized).
 Portfolios are rebalanced at the beginning of each calendar year.

Source: DVM
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Extreme Overreaction Results in Bubbles and Panics

Bubbles: Unjustifiable sharp upward deviation from fundamental value.

Panics: Unjustifiable sharp downward deviation from fundamental value.

The Role of Experts

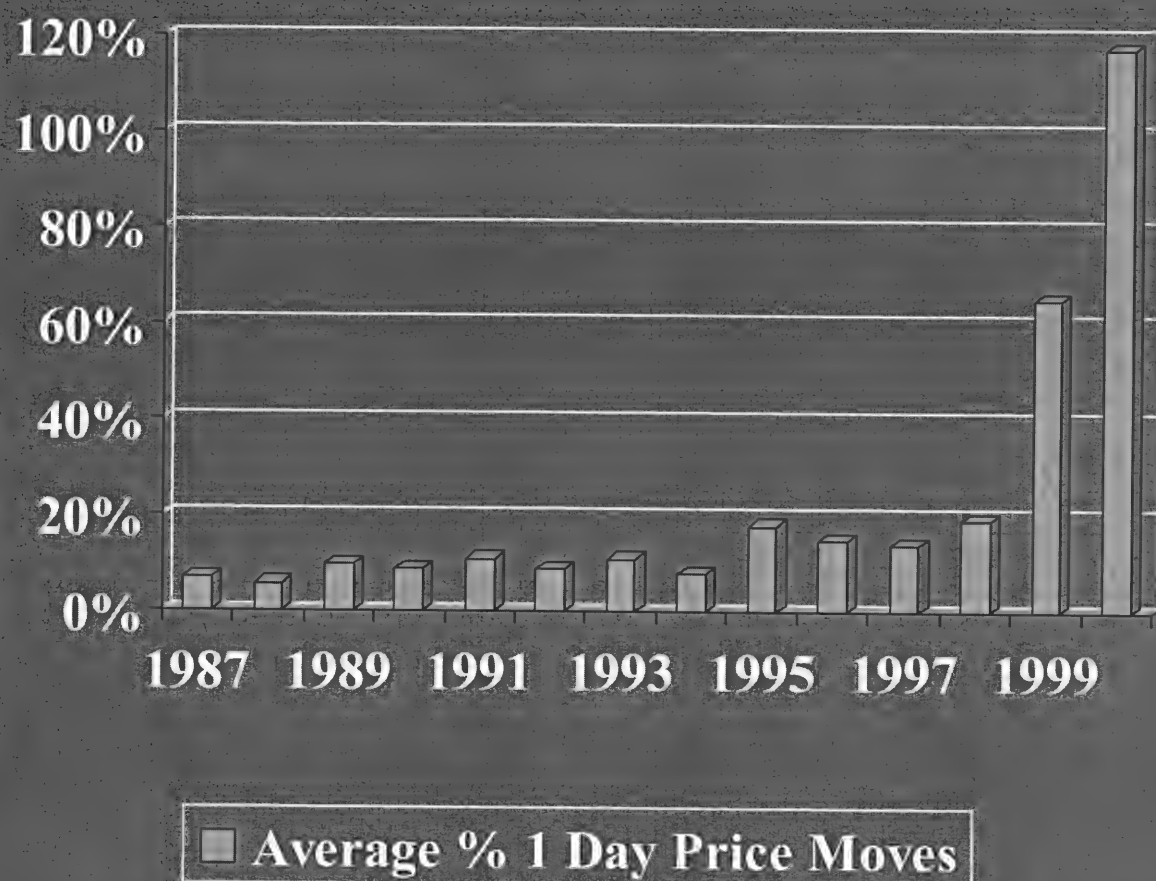
- Analysts are expected to make rational decisions, thus will take advantage of stock deviations 50-75% above or below their intrinsic value.
 - In the 1997 – 2000 bubble, prices rose 500-1000 times above their intrinsic value.
- In every bubble, experts were caught up in the speculation, predicting “this was only the beginning, even larger gains lay ahead.”
- Widespread “expert” exuberance, captivated by concept, e.g., “The Internet is one of the most important inventions since the wheel.”
- At the height of the 1997-2000, 1980-1983, and 1967-68 tech bubbles, experts stated that conventional valuation standards no longer applied.
- In the 1997 – 2000 bubble, experts repeatedly stated “This is a new Paradigm”.

Extreme Overreaction Results in Bubbles and Panics

Stronger statements have been made about internet and technology stocks over the past few years citing the need for new valuation metrics such as:

- Number of clicks per site
- Pages viewed per month
- Engaged shoppers
- Time spent on site
- Price-to-future sales
- Mary Meeker of Morgan Stanley – Ebay and Walter Piecyk of Paine Webber – Qualcomm (Stocks rose 75+ percent in days)
- Market Strategists and analysts are wrong more often than right.
- 52 surveys covering anywhere from 25 to 2000 experts indicated their favorite picks underperformed the market 77% of the time.
- Even a 2-3% negative surprise from earnings estimate, can drop a stock 25% to 50%.

“Underpricing” of IPOs Average 1 Day Price Moves



Why Dreman Value Management Is Different From Other Value Managers: Pioneers in Behavioral Finance

Our pioneering research in Behavioral Finance and psychology of investment decision making.

The research and investment process is documented in four published books by David N. Dreman over the last 25 years

1977 - *Psychology and the Stock Market*

1979 - *Contrarian Investment Strategy*

1982 - *The New Contrarian Investment Strategy*

**1998 - *Contrarian Investment Strategies:
The Next Generation***

Beneficial Effects of Behavioral Finance on Our Investment Decision Making Process:

- 1) Discipline without Style Drift - Our consistently applied philosophy has produced long-run performance above the market and the value benchmarks**
- 2) Takes advantage of fear to buy good companies at attractive prices**
- 3) Avoids concept stocks where valuations cannot be justified**

CRISIS INVESTING

Performance of the Dow Jones Industrial Average through 11 major postwar crises.

	<i>Market Low After Crisis</i>	<u>Appreciation*</u>	
		<i>1 year later</i>	<i>2 years later</i>
Berlin Blockade	7/19/48	2.7%	26.4%
Korean War	7/13/50	34.8%	53.9%
1962 Stock Market Break	6/26/62	38.3%	70.4%
Cuban Missile Crisis	10/23/62	39.8%	72.7%
Kennedy Assassination	11/22/63	31.0%	47.2%
Gulf of Tonkin	8/6/64	13.2%	15.7%
1969/70 Stock Market Break	5/26/70	49.6%	69.3%
1973/74 Stock Market Break	12/6/74	48.2%	82.4%
1979/80 Oil Crisis	3/27/80	33.9%	18.9%
1987 Crash	10/19/87	28.9%	69.6%
1990 Persian Gulf War	8/23/90	29.6%	45.5%
Average Return including dividends		31.8%	52.0%

Source: Contrarian Investment Strategies: The Next Generation

Why Does the Market Overreact?

Behavioral Pitfalls To Good Decisions

- We use heuristics or mental rules of thumb countless times in making many decisions.
 - ie: It's faster to fly than to go by car,
 - When we drive down a busy thoroughfare we concentrate on the road and screen out thousands of inconsequential pieces of information such as advertising, what passerby's are wearing, and the architecture of numerous buildings.
- Human beings are poor information processors. The very same heuristics that prove indispensable in making thousands of useful decisions daily lead to systematic mistakes when people use statistics in making their investment decisions.
- Major heuristical Biases

Behavioral Pitfalls To Good Decisions

Anchoring:

Putting a valuation on a stock or market, which is false.

ie: Some investors bought eToys at \$60 down from \$80, because they thought that was a more appropriate value. eToys then dropped to \$5.

Hindsight biases:

Examining past markets, it looks easy to observe major panics and manias historically and the opportunities they presented, but at the time, it was much more difficult.

Overconfidence:

More information increases confidence, but not accuracy. Analysts overstate estimates by 10% on average.

Behavioral Pitfalls To Good Decisions

Representativeness:

Labeling two companies or two market environments as the same when the actual resemblance is superficial.

Examples: The 1987 crash would be followed by a Depression because this was the case in 1929.

 In the gulf crisis of 1990, oil prices would increase rapidly because this was the case in 1973.

- The Law of Small Numbers: Forecasters get major credit for one good call.
- Regression to the mean
- Misperception of probabilities
- Input / Output fallacy: over-enhancement of confidence based on the consistency of inputs.

Behavioral Pitfalls To Good Decisions

Availability:

A mental rule of thumb by which people “assess the probability of an event by the ease with which instances or occurrences can be brought to mind” (Tversky & Kahneman (1974).

Examples: What causes more deaths: Shark attacks or falling plane debris? Answer: “30 to 1”

Recency and Saliency: IPOs

Base Rate and Case Rate: failure to recognize established norms

Behavioral Pitfalls To Good Decisions

Group and Crowd Pressures (Agency Theory)

- The pressure on analysts and money managers to recommend or buy current favorites.

The pressure on investment experts to be right in very short periods of time.

-- In fact, financial experts are wrong more often than right.

- The problem of self-fulfilling prophecies.

-- Enormous price movements such as those of the E-tailers push many experts to follow current trends.

- Cognitive biases result in most individuals making the same error. The error is significantly reinforced by peer groups and groups of experts.

-- Enormous price movements such as those of the E-tailers push many experts to follow current trends.

Large Cap Value Performance Growth Of \$10,000 (Net of Fee)

September 30, 1993 — September 30, 2003

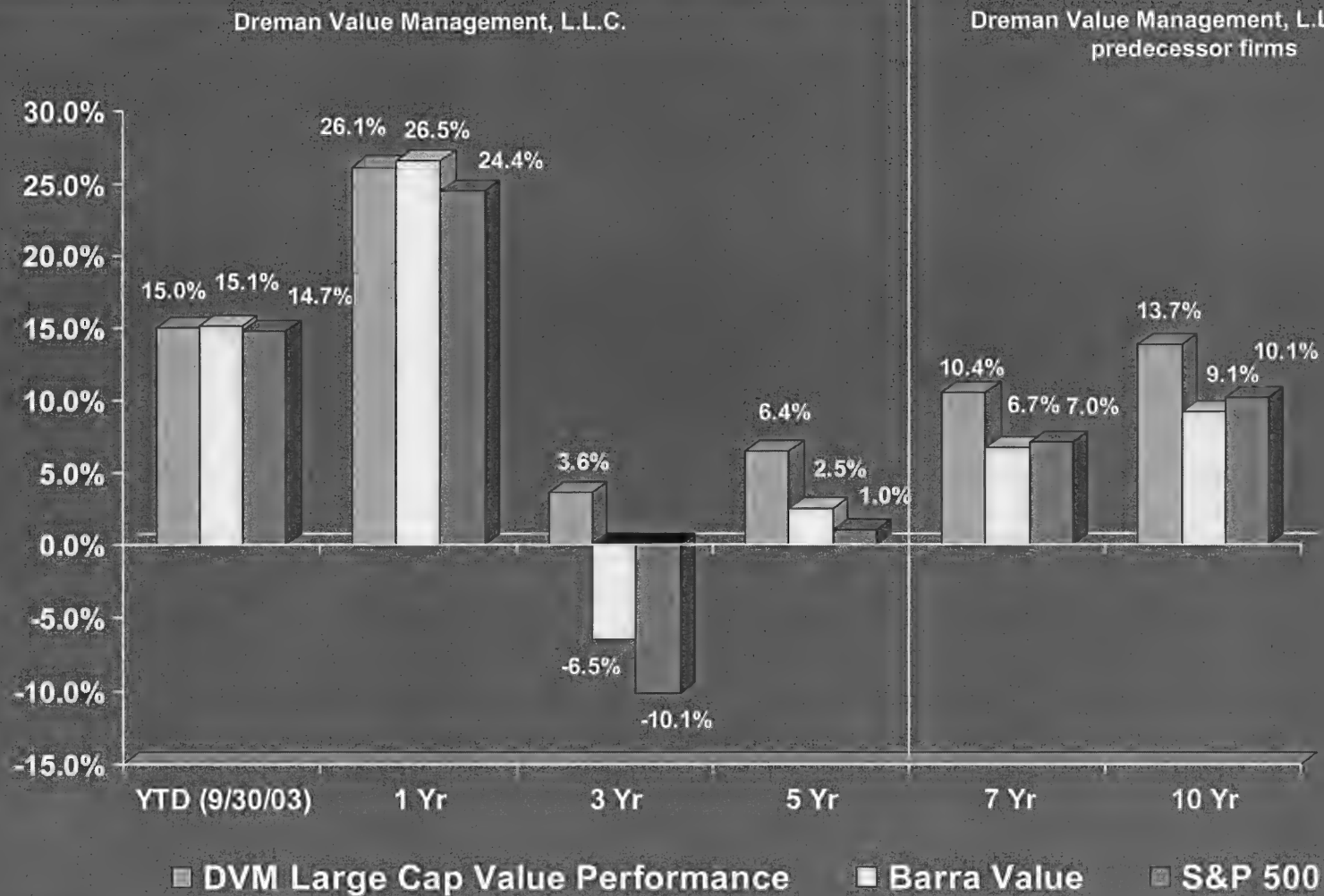


A Comparison of Portfolio Turnover Historical Turnover Percentages

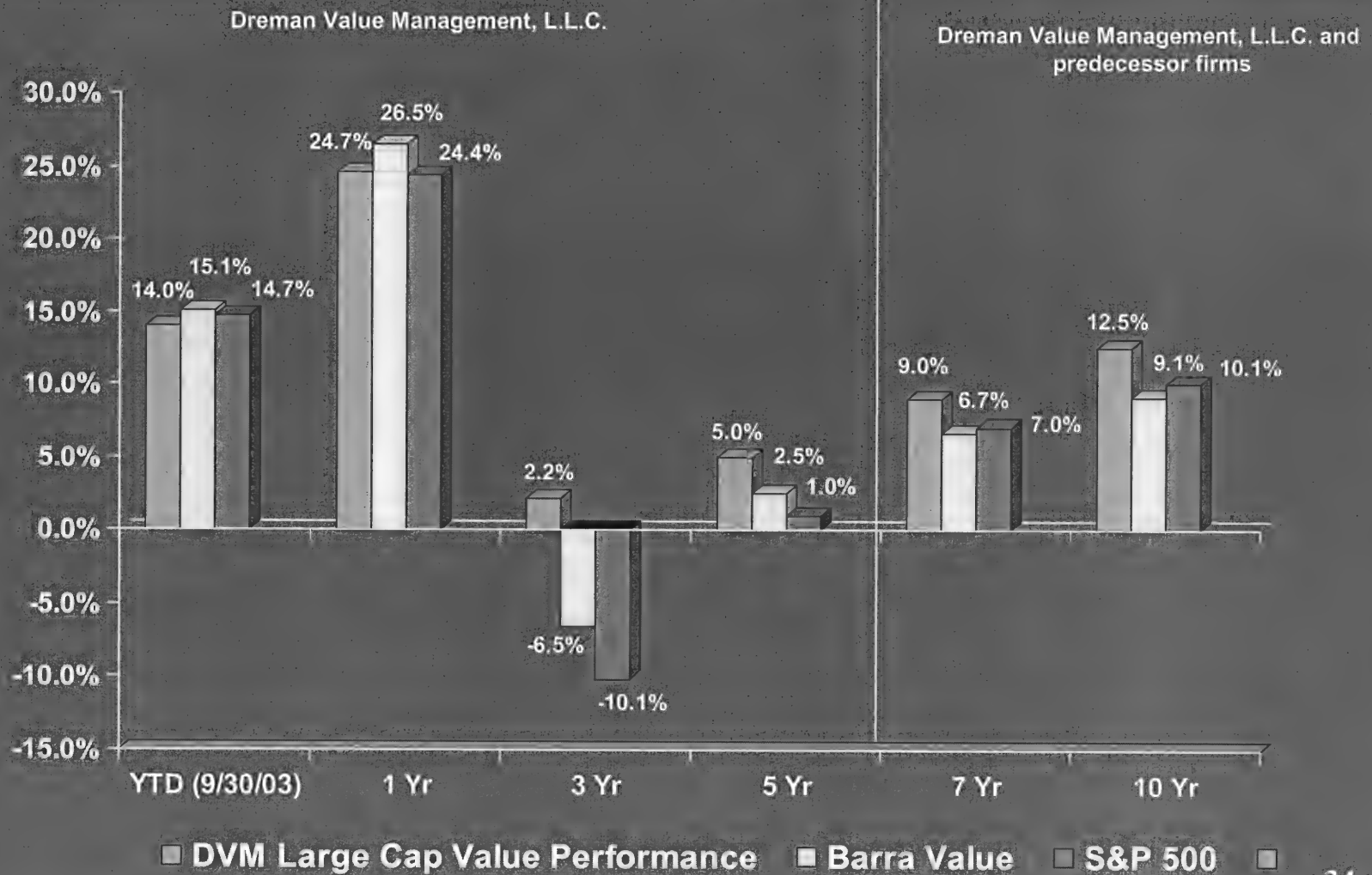


Source: Morningstar, Inc.

Large Cap Value Annualized Performance (Gross of Fee) As Of September 30, 2003



Large Cap Value Annualized Performance (Net of Fee) As Of September 30, 2003



Our Large Cap Value Strategy is Consistently a Top Performer

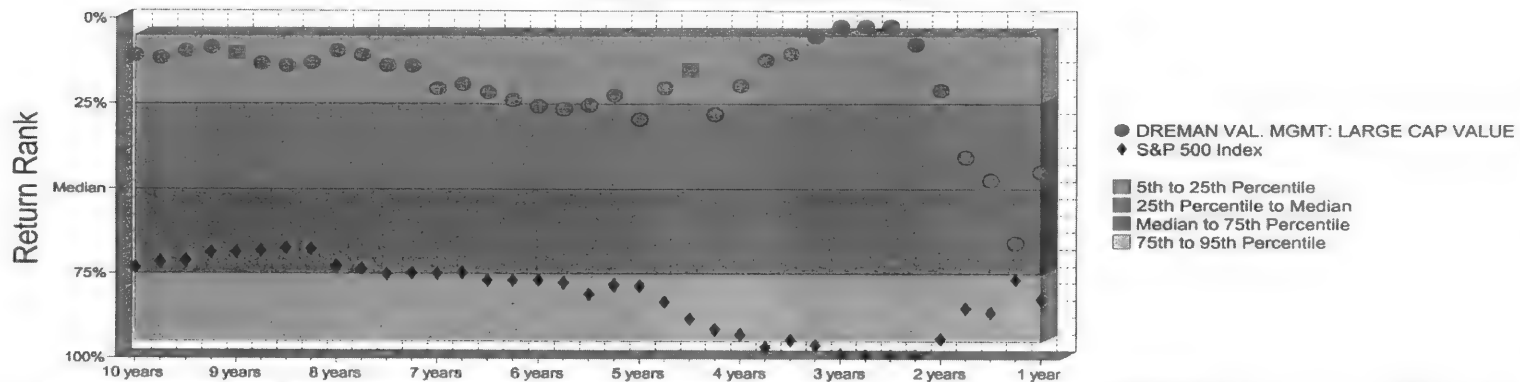
Zephyr StyleADVISOR

Zephyr StyleADVISOR: PanAgora Asset Management

Manager vs Universe: Return Rank through December 2002

(not annualized if less than 1 year)

Zephyr Large Value Universe (PSN)



Manager vs Universe: Return Rank through December 2002

(not annualized if less than 1 year)

	Median Rank	Volatility of Rank	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
			392 mng	385 mng	370 mng	347 mng	333 mng	325 mng	307 mng	285 mng	257 mng	232 mng
DREMAN VAL. MGMT: LARGE CAP VALUE	17.15%	6.80	45.01%	21.09%	2.17%	19.65%	29.52%	25.62%	20.59%	9.51%	10.16%	10.82%
S&P 500 Index	77.00%	7.25	82.49%	94.22%	98.82%	92.96%	78.52%	76.94%	75.00%	72.83%	68.59%	73.17%

Zephyr Large Value Universe (PSN)

Manager returns supplied by: Effron Enterprises, Inc.(PSN)

Large Cap Value Performance

As of September 30, 2003

Portfolio Structure

	<u>LCV Composite</u>	<u>S&P 500</u>	
Holdings	56	500	
Weighted Average Mkt Cap	\$35.1 Billion	\$85.5 Billion	
P/E Ratio – 4 Q Trailing	17.1	19.9	
Dividend Yield	3.8	1.7	As of 9/30/03

<u>Top Ten Holdings as of 9/30/03</u>		<u>Sector Weighting as of 9/30/03</u>		
			<u>LCV Composite</u>	<u>S&P 500</u>
Altria Group Inc	9.2%	Consumer Discretionary	14.1%	10.7%
Freddie Mac	6.7	Consumer Staples	20.5	11.5
Washington Mutual	5.4	Energy	9.8	5.7
Fannie Mae	5.1	Financials	30.7	20.9
US Tobacco Inc.	4.6	Health Care	14.8	13.8
Bristol Myers Squibb	4.3	Industrials	4.2	10.3
ConocoPhillips	3.9	Information Technology	3.5	18.0
Merck & Co	3.5	Materials	0.0	2.8
Electronic Data Sys Corp	3.2	Telecommunication	0.0	3.4
Reynolds RJ	<u>2.8</u>	Utilities	1.3	3.0
Total	48.7			

Large Cap Value Historical Performance Information

Enclosed is material that has been prepared by Dreman Value Management, LLC to provide clients and prospective clients with information concerning the investment results achieved by DVM and David Dreman, the Chief Investment Officer of the firm.

We believe that it is important for you to understand what performance information means, and the limitations on the use of such information. As you know, past performance is not a guarantee of future results. The enclosed information includes data prepared in conformity with certain industry standards referred to below. It also includes supplemental data prepared using the same criteria that extends the periods presented for your consideration to reflect the results of all accounts currently managed by Mr. Dreman as well as accounts managed by Mr. Dreman as Chief Investment Officer of predecessor firms during earlier periods. In order to understand the information presented, it is important that you read and evaluate the information contained in the notes presented with the tables. They supply important information and will help you to understand the tables.

The information provided includes the performance results of discretionary accounts managed during the covered periods, and excludes accounts that were not managed continuously during the period, or which are managed according to different criteria set by a client, and not under the general discretion of DVM. The information reflects both the "gross" results recommended under industry standards, and the "net" results required by some authorities.

Large Cap Value Historical Performance

Period	Quarterly Returns				Total Return (%)	S&P 500 Return	S&P Barra Value Return	Number of Portfolios	Composite Dispersion	Total Assets at End of Period (USD millions)	Percentage of Firm Assets	Total Firm Assets (USD millions)
	Q1	Q2	Q3	Q4								
1991	19.0%	-4.5%	6.7%	4.9%	27.2%	30.3%	22.6%					
1992	1.3%	0.7%	2.7%	6.2%	11.2%	7.5%	10.5%					
1993	3.9%	0.1%	1.6%	3.9%	9.8%	10.1%	18.6%					
1994	-1.6%	2.0%	4.2%	-3.6%	0.8%	1.3%	0.6%					
1995	9.5%	10.1%	8.6%	10.7%	44.9%	37.6%	37.0%					
1996	4.9%	5.3%	5.8%	9.5%	28.1%	23.0%	22.0%					
1997	2.3%	14.3%	8.7%	5.2%	32.6%	33.4%	30.0%	3	1.23%	\$3,605	88.97	\$4,235
1998	8.7%	-1.5%	-7.5%	14.4%	13.4%	26.7%	14.7%	6	1.12%	\$6,249	88.13	\$7,004
1999	-2.8%	8.3%	-12.3%	-5.4%	-12.7%	19.5%	12.7%	9	1.59%	\$4,651	84.33	\$4,948
2000	-2.4%	3.6%	21.6%	13.6%	39.7%	-10.1%	6.1%	8	4.99%	\$4,921	90.52	\$5,616
2001	0.5%	6.2%	-8.5%	6.2%	2.7%	-10.7%	-11.7%	7	0.64%	\$5,365	89.75	\$6,845
2002	6.6%	-14.6%	-17.1%	9.7%	-17.2%	-22.1%	-20.9%	9	0.18%	\$4,787	76.64	\$6,073
9/30/2003	-5.8%	20.8%	1.02%		15.00%	2.6%	2.5%	9	0.18%	\$5,640	74.99	\$7,520

Annualized Returns - Through September 30, 2003

	1 Year	3 Year	5 Year	7 Year	10 Year
Dreman Value Management LLC	24.7%	2.2%	5.0%	9.0%	12.5%
S&P 500	24.4%	-10.1%	1.0%	7.0%	10.0%
S&P Barra Value	26.5%	-6.5%	2.5%	6.7%	9.1%
Russell 1000 Value	24.4%	-2.0%	4.0%	8.7%	10.4%

Large Cap Value Historical Performance Information

1. Dreman Value Management LLC is a registered investment advisor specializing in contrarian value equity investing. The firm's historical performance data shows the firm's performance results from its commencement of operations on July 1, 1997 and its predecessor firm prior to July 1, 1997. David Dreman was the Chief Investment Officer for all predecessor firms from 1981 to June 30, 1997.
2. The firm's composite for the period commencing July 1, 1997 through June 30, 2003 have been examined and determined to be in compliance with the industry standards. The independent auditor's report for that period is available upon request.
3. The firm's Large Cap Value Discretionary Composite for the period commencing July 1, 1997 through June 30, 2003 is comprised of all accounts greater than \$5 million which are managed without regard to income taxes. A complete list of all the firm's composites and performance is available upon request.
4. The performance results shown above includes the results of DVM's predecessor firm prior to July 1, 1997.
5. Valuations and returns are stated in US dollars and are presented gross of fees.
6. The composite dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within the composite for the full year.